

Bullish Position in Royal Caribbean as Shares Base

Ticker/Price: RCL (\$115)

## Analysis:

Royal Caribbean (RCL) with 1,400 March \$125 calls bought today for \$5.70 to open and follows buyers recently in the August \$116 calls and September \$115 calls. RCL had size buyers of the January \$125 and \$130 calls in early May which remain in OI, the latter a \$1.5M position. In addition, RCL had a sizable insider buy from its COB/CEO Richard Fain in December at \$105.60, over \$1.99M. Shares are consolidating in a small base under the 50-day MA at \$118 and a downtrend from the April highs which targets a move back to \$125/\$127.50. A longer-term look shows a big inverted head-and-shoulders forming under \$131 which targets \$170. The \$23.7B company trades 10.6X earnings and 2.4X sales with a 2.46% yield. RCL expects 11.7% and then 14.6% EPS growth over the next two years with revenues up 6.5% and then 10.7%. RCL is seeing strong bookings for the remainder of 2019 while early 2020 numbers are off to a strong start despite global macro headwinds. The company is having a record year in China where they've seen minimal slowdown in demand. RCL is refreshing their fleet with a five-year plan outlined last week and continues to invest in their digital strategy as well as on-board entertainment to drive customer spending. Analysts have an average target for shares of \$144 with 9 buy ratings, 3 hold, and 1 sell. Nomura positive on 7-15 given higher yield expectations and better pricing in Europe. Wedbush has a \$145 PT for shares seeing RCL as best positioned in the industry given their superior assets and debuts set for this year which should drive yields. Short interest is 1.7%. Hedge Fund ownership fell 5.4%. Highline Capital a top concentrated holder with a 7.6% weight and more than 1.05M share stake.

## Hawk Vision:



Hawk's Perspective: RCL is a quality name and think the Cruise industry remains an attractive investment though need to see it above \$117 to turn constructive.

Confidence Ranking: \$\$